

**MEMORANDUM**

**To:** Board of Regents  
**From:** Board Office  
**Subject:** Iowa State Center Annual Report  
**Date:** December 4, 2003

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**Recommendation:**

Receive the annual report on the Iowa State Center for the year ended June 30, 2003.

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**Executive Summary:**

The Iowa State Center includes the operations of Hilton Coliseum, Stephens Auditorium, Fisher Theater, and the Scheman Building, as well as various outdoor activities such as stadium concerts, barbecues, and dances.

FY 2003 was the 15<sup>th</sup> full year of private management for the Iowa State Center. The management agreement continues to be based upon the concept that the private management company will increase programming and revenues that generate additional income, which more than compensates for the management fees.

In June 2001, the Board approved a new comprehensive management agreement with Spectator Management Group (SMG) for an initial term of five years with an option for a second five-year term. FY 2003 was the second year of management under the new agreement. SMG is responsible for the comprehensive management of the Iowa State Center, including but not limited to financial, human resource, operating, marketing, and programming.

The mission of the Center, its booking priorities and operating policies continue to be controlled by ISU.

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Annual  
Report

This report contains financial information, activities, and attendance statistics of the Iowa State Center. Iowa State Center is not a self-supporting unit of the University. During the University's annual budget process, it allocates funds to the Center in the form of a general operating subsidy and a utilities subsidy.

The Iowa State Center FY 2003 revenues were \$7.4 million and expenses were \$8.5 million. The University provided an operating subsidy of \$1.1 million which was \$0.2 million less than FY 2002.

Operating revenues of the Iowa State Center come from several sources. Concessions, catering and novelty receipts are the largest source making up 42% of total operating revenues. Other revenue sources include building and equipment rent, reimbursed costs, C.Y. Stephens Series, advertising, public facility maintenance surcharge, ticket handling, and promotions.

Net concession revenues increased by \$154,004 (37.0%) from FY 2002 due to an increase in contemporary event ancillary revenues.

FY 2003 set a record for the largest gross ticket sales revenue for concerts and special events. The Center hosted 21 events with combined total ticket sales over \$6.1 million.

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Annual Audit	The Iowa Auditor of State conducted an audit on the Iowa State Center for the fiscal year ended June 30, 2003. The audit report indicated that the financial statements were presented fairly in all material respects. No findings were reported.
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**Background:**

Iowa State Center Management	The Iowa State Center includes the Hilton Coliseum, Stephens Auditorium, Fisher Theater, Scheman Building, and the Farmhouse Museum. The management firm is not responsible for Brunnier Gallery, which is in the Scheman Building and Farmhouse Museum.
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The management agreement continues to be based upon the concept that the private management company will increase programming and revenues that generate additional income, which more than compensates for the increased costs of management fees. The management responsibilities include financial, human resources, operating, and programming including responsibility for concession stands, beverage sales, and novelty sales at the Center.

Following a Request for Proposal (RFP) process, the Board approved a management contract with Spectator Management Group (SMG) in June 2001. SMG assumed management responsibilities in August 2001.

SMG is a closely held joint venture company with two equal principals: the Hyatt Hotel Chain and ARAMARK Corporation. Currently, SMG manages 67 arenas, 7 stadiums, 31 performing arts centers, 45 convention centers, and 10 other recreational facilities.

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**Analysis:**

FY 2003  
Highlights

Conference Services

- The Conference Services Division held several special events as a result of partnership efforts between the Center, University Conference Services, and the Ames Convention and Visitors Bureau.
- The largest event was Odyssey of the Mind World Finals. This event is currently hosted at Iowa State University on a three-year rotation with the University of Tennessee and the University of Colorado.
- Other large multiple facility conferences hosted include the Iowa United Methodist Church, Winter and Summer Fire Service Institute Fire School, and Midwest Energy Association.
- Two events were held for the first time at the Center – the annual State Future Farmers of America (FFA) conference and the American Legion Auxiliary Girls State Conference.

Programming

- FY 2003 set a record for the largest gross ticket sales revenue for concerts and special events. The Center hosted 21 events with combined total ticket sales over \$6.1 million.
- Hilton Coliseum was the site for the 1<sup>st</sup> and 2<sup>nd</sup> rounds of the Men's NIT Basketball Tournament.
- The Season at Stephens consisted of 19 attractions and 21 performances. The University states that final ticket sales revenue fell short of budget due to the downturn in the Iowa economy, winter weather, and general tension with the world situation.
- The Martha-Ellen Tye Performing Arts Institute FY 2003 attendance surpasses budget by 43% with 10,740 students / adults attending 9 performances and 7 shows. Students from 26 of Iowa's 99 counties took advantage of this program.

Annual  
Report

The audited financial statements show FY 2003 operating revenues of \$7.3 million, a 2.1% increase over FY 2002. The transfer from the general fund has decreased by \$227,079, a 17% reduction.

Operating expenses of \$8.5 million represent a decrease of 1.2% over FY 2002.

	2002	2003
Operating Revenues	\$7,125,806	\$7,273,284
Non-operating Revenues	135,653	115,227
Operating Transfers	<u>1,332,719</u>	<u>1,105,640</u>
Total	\$8,594,178	\$8,494,151
Operating Expenses	\$8,594,178	\$8,494,151

Management  
Fees

A new management agreement with SMG was effective August 1, 2001. This agreement established an annual fee of \$120,000 subject to annual adjustments and a 10% commission on net concessions and merchandise sales. The following table shows fees for the past ten years.

<u>Fiscal Year</u>	<u>Management Fee (net)</u>	<u>Commission Fee</u>	<u>Total Fees</u>
1994	\$135,000	\$ 89,416	\$224,416
1995	120,000	123,197	243,197
1996	135,000	109,185	244,185
1997	134,000	120,737	254,737
1998	134,000	95,289	229,289
1999	134,000	128,868	262,868
2000	134,000	120,828	254,828
2001	150,000	117,470	267,470
2002	122,500	111,560	234,060
2003	120,840	120,840	241,680

Concession  
Sales

The net return for concession sales, after the concessions commission payment, has fluctuated over the years from 27.0% in FY 1987 (the benchmark year), to a high of 52.4% in FY 1995, to 40.1% in FY 2003. This fluctuation is a result of a variance in attendance.

The net concessions sales increased by \$154,004 (37.0%) from FY 2002. The higher net return, when compared to the previous year, was due to an increase in contemporary event ancillary revenues.

<u>FY</u>	<u>Gross Sales</u>	<u>Net Concessions</u>	<u>Net Return</u>
1987*	\$ 440,359	\$ 118,897	27.0%
1988**	762,734	221,193	29.0%
1989	616,050	234,099	38.0%
1990	746,020	331,233	44.4%
1991	923,272	433,938	47.0%
1992	850,686	401,524	47.2%
1993	985,931	430,852	43.7%
1994	889,511	426,076	47.9%
1995	1,233,487	646,347	52.4%
1996	1,092,144	560,270	51.3%
1997	1,207,370	650,042	50.1%
1998	952,891	388,213	40.7%
1999	1,288,683	597,699	46.4%
2000	1,209,319	479,160	39.6%
2001	1,175,903	459,125	39.0%
2002***	1,179,981	416,743	35.3%
2003	1,424,136	570,747	40.1%

\* Benchmark year.

\*\* Ogden contract effective February 1988.

\*\*\* SMG contract effective June 2001.

Conference  
Services

The following table compares the budget to actual for conference services at Scheman.

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>%</u>
Rooms Sold	4,439	4,060	(379)	(8.5)%
Revenue/Room	\$198.96	\$200.44	\$1.48	0.7 %
<del>Sold</del> Room Revenue	\$883,199	\$813,794	\$(69,405)	(7.9)%
Scheman Revenue	\$1,079,420	\$1,023,794	\$(55,626)	(5.2)%
Scheman Net (Loss)	(\$325,980)	(\$368,636)	\$(42,656)	(13.1) %

The number of rooms sold for the year fell short of the budget by 379 rooms. The revenue generated on a per room sold basis increased by \$1.48 per room over budget. However, this increase was not significant enough to make up for the loss of rooms sold. The University believes the primary reason for the decline in rooms sold and revenue can be attributed to the downturn in the economy. University business fell 8.5% and there was a drop in the number of social events.

Programming FY 2003 set a record for the largest gross ticket sales revenue for concerts and special events. The Center hosted 21 events with combined total ticket sales over \$6.1 million. The Billy Joel and Elton John concert set the largest single show ticket sales in Hilton Coliseum history with a gross of \$1.4 million.

FY 2003 total event days were higher than expected by 13 (6%).

<b>Event Days</b>			
	<b><u>Projected</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
Athletic Events	60	62	2
Conference/Trade/Flat Shows	40	42	2
University Events	47	51	4
Concerts/Special Events	18	21	3
Fisher Theater	50	52	2

Attendance Total attendance at the Iowa State Center (including Brunnier Gallery and Farmhouse Museum for which SMG is not responsible) in FY 2003 was 853,779.

<b><u>Fiscal Year</u></b>	<b><u>Total Attendance</u></b>
1987*	859,771
1988**	944,793
1989	894,063
1990	918,491
1991	806,184
1992	835,207
1993	972,858
1994	808,943
1995	1,005,181
1996	905,408
1997	895,523
1998	861,766
1999	1,052,777
2000	1,101,452
2001	873,738
2002***	919,368
2003	853,779

\* Benchmark year.

\*\* Ogden contract effective February 1988.

\*\*\* SMG contract effective June 2001.

Employment Opportunities      During FY 2003, the Iowa State Center continued to provide employment opportunities for an average of 389 part-time employees per pay period with an aggregate part-time payroll of \$1,404,673. Approximately 60% of these employees were ISU students working in a variety of jobs such as technical production, front-of-house positions, including ushers and peer security, traffic control, environmental services, concessions, and conference services.

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Initiatives      Initiatives at the Iowa State Center during the year addressed marketing opportunities, organizational structure, and infrastructure needs including:

- Implementing a Business Center that enables clients and guests to utilize copy and computer services and purchase supplies. ISU gift items may also be obtained.
- Hosting and participating in two emergency exercises: the first was a mass casualty exercise at Hilton Coliseum and the second was an emergency response training exercise conducted by the Fifth Army based out of Fort Sam Houston, Texas.
- Including the Iowa State University nameplate in 1,997 event advertising pieces utilizing print and television media.
- Completing capital projects including:
  - Replacing the north entrance doors to the Scheman Building
  - Installing new lobby lights in Fisher Theater
  - Repairing the Stephens Auditorium orchestra pit
  - Completing the analysis and design phase of several projects including Stephens Auditorium handrails and mobility impaired parking improvements at Stephens.

  
Deb A. Hendrickson

Approved:   
Gregory S. Nichols